



D E P A R T M E N T O F

Management & Budget

ANNUAL  
REPORT  
2003



JENNIFER M. GRANHOLM  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF MANAGEMENT & BUDGET  
LANSING

MITCH IRWIN  
DIRECTOR

March 31, 2004

Dear DMB Colleagues:

As for many state departments, 2003 was a whirlwind for the Department of Management and Budget (DMB).

DMB was charged with the implementation of several Executive Directives and initiatives to reduce contractual spending, ratchet down administrative costs and expenditures, and streamline government operations—saving well over \$150 million. I applaud our hardworking employees who, in cooperation with other state agencies, made those efforts a success.

This year will be an extension of the activities undertaken in 2003 to reduce expenditures and increase revenue. Several projects on the horizon include efforts to sell surplus state properties; consolidate leased space; partner with local governments, colleges, and universities to leverage our joint buying power; as well as form administrative partnerships with state agencies to improve service and cut costs. To date, we have saved over \$50 million as a result of these efforts.

While budget challenges have dominated the actions we have taken, and the decisions we will make, our top priority will be to maintain first-rate services. DMB employees should be proud, as I am, of the important role we play in making state government a more efficient operation.

Sincerely,

A handwritten signature in cursive script, appearing to read "Mitch Irwin".

Mitch Irwin,  
Director

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## ABOUT OUR DEPARTMENT

The Department of Management and Budget (DMB) was originally established as the Department of Administration under Public Act 51 of 1948. In 1973, Executive Order 1973-7 transferred functions that had been in the Office of the Governor to the department, including preparation of the State's budget. DMB is authorized under the Management and Budget Act, Public Act 431 of 1984, as amended.

In 1998, the Governor established the State Budget Office within the Department reflecting the scope of management responsibilities and named a State Budget Director as well as a Director of the Department of Management and Budget. Under the guidance of both directors, the Department continues to focus on its commitment to meet the needs of the citizens of the State of Michigan.

### **MISSION**

*We provide cost-effective business services to government.*

### **VISION**

*We envision a DMB that provides exceptional business services and is a catalyst for innovation in government, where every day:*

- *Values are lived,*
- *Partnerships are built, and*
- *Customers are confident in our knowledge, skills and delivery.*

### **VALUES**

*Integrity, Excellence, Inclusion, Teamwork, Fun and Growth*

### **ORGANIZATION**

The DMB is organized as two cabinet-level agencies with budget and management responsibilities. In addition, three autonomous agencies reside in DMB. They are the Office of Children's Ombudsman, the Office of the State Employer, and the Office of Regulatory Reform.

The State Budget Office develops the Executive Budget and provides financial management services to all state departments.

The department's management services functions are organized in eight major office areas that provide specialized services to other state agencies. Those business services are the focus of this annual report. The section entitled "Our Services" provides a more detailed description of these units' responsibilities.

## OUR SERVICES

The DMB Director's Office provides management oversight, strategic planning, public information, budget development, legislative affairs and internal audit services to the department. The Department's management services operations include:

**Acquisition Services:** Acquisition Services provides strategic and tactical services to the selection, procurement, transport, warehousing and surplus of state properties. Additional support is provided to the State Administrative Board and local governments, school districts, state colleges and universities, and non-profit hospitals.

**Agency Services:** Agency Services supplies state agencies, colleges and universities with print and graphic, mainframe printing, mailing and publication services. The Vehicle Services division manages fleet operations, including ordering of new vehicles and fuel and servicing of state vehicles. The Travel Services unit provides cost effective, timely and safe travel accommodations for state agency business travelers.

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*"It's good for taxpayers to know that state government is trying, of necessity, to become a more efficient operation."*

**Detroit Free Press  
Sept. 13, 2003**

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**Audit Services:** Audit Services conducts financial and operational audits and internal control reviews of DMB offices, programs and business processes, including Offices of the State Budget, State Employer, and Children's Ombudsman. The bureau's mission is to improve the accountability for public funds, the internal control structure of the Department, and the overall effectiveness of DMB programs/operations. Through administrative partnership agreements, they also provide all internal audit services to the Departments of Information Technology and Treasury.

**Financial Services:** Financial Services offers a broad range of services to DMB operating units, including accounting services, procurement, financial analysis, business planning, management level reporting, performance measurement and management, automated billings, data collection and interfaces, and contract/lease management. Financial Services also serves an audit liaison function with the Auditor General's office.

**Office of Facilities:** The Office of Facilities is responsible for state government buildings and grounds, capital investment, maintenance planning, maintenance, facility design and construction management services to state agencies, colleges and universities. In addition, Infrastructure Services manages occupancy of state owned and leased facilities, security and parking services.



**Organizational Services:** Organizational Services provides services important to employment in DMB and overall skill development and growth. This includes traditional human resource services such as recruitment, classification, payroll and benefits and labor relations services. The Organizational Development division provides employee training services, safety and health programs and internal communication tools. The office is responsible for maintenance of the department's Web page and the state's *Administrative Guide to Government*.

**Retirement Services:** Retirement Services administers retirement programs for Michigan's state employees, public school employees, judges, and state police.

**Strategic Asset Management:** Strategic Asset Management oversees DMB's strategic space planning and real estate functions. In addition, the State Building Authority is the state's primary vehicle for financing major capital outlay projects.

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*"...a number of states –among them Michigan...– are about to hire real estate services companies to devise strategic plans for selling parts of their portfolios, making smarter leasing decisions..."*

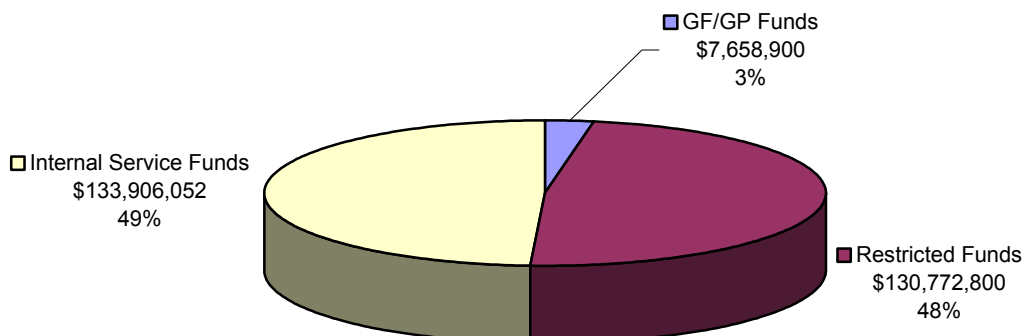
**New York Times,  
Dec. 10, 2003**

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## FUNDING

DMB is funded by multiple sources, both appropriated and non-appropriated. Appropriated funds include General Fund/ General Purpose funds and various restricted funds, such as charges to state agencies for occupancy in DMB buildings, pension trust funds, and funding received through the department's statewide cost allocation plan. Non-appropriated revenue comes from internal service funds supported by rates for our services. In FY2003, DMB had \$272.3 million in revenue available for its operations.

### DMB Funding for Fiscal Year 2003



## OUR EMPLOYEES

DMB's many accomplishments in 2003 would not have been possible without the hard work and determination of the department's 800 employees. The department's employees include management, non-represented, and those covered by state collective bargaining agreements with the UAW, MSEA, and SEIU (UTEA and MPE).

### YOUR IDEA COUNT\$!

Developed with the knowledge that often it is the frontline employee who can offer insight into streamlining operations and increasing efficiency, DMB kicked off an innovative employee suggestion program to do just that. Many employees have contributed cost-saving ideas through "Your Idea\$ Count." As a result, to date, nearly 30 have been implemented, saving over \$70,000.



*DMB Director Mitch Irwin visits with DMB's grounds crew in front of their handiwork.*

### CHARITY EVENTS

Last year, employees across the department showed their giving spirit by taking part in activities to benefit area charities and families. Many DMB employees participated in a Habitat for Humanity event in Detroit, using vacation leave from work, incurring travel costs, and donating a day's worth of labor to build housing for low-income families.



*DMB employees join forces with Detroit's Habitat for Humanity.*

Employees took part in the Michigan Harvest Gathering by collecting food and money for food banks and soup kitchens in Lansing and beyond, surpassing previous years' generosity.

Also, many charitable DMB employees participated in the Adopt-a-Family program, providing a special holiday for needy families.

## CRISIS COORDINATION

The widespread blackout of August 2003, that struck the northeastern United States, Midwest and Canada, demanded an extraordinary amount of coordination at, and between, every level of government.

The outage affected all DMB-managed buildings in Lansing and Detroit, and brought out the self-less nature of many DMB employees. For several days, employees worked to deliver water to hospitals and emergency centers; ensure that no one was trapped in state buildings; print unemployment checks and deliver them on time; and allow state government to resume normal business operations.

Specifically, DMB employees, Juan Suarez, David Webber and Richard Jones, delivered water to the Detroit area over the course of several days. Russ Wilson, Amador Bresnio and Ralph Matt drove generators to Detroit.

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*"I'd like to thank all our citizens and the hundreds of people in all branches of government who are literally working in the dark to get Michigan back on line as safely and quickly as possible."*

**Governor Jennifer Granholm**  
**August 2003**

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Dan Stiles, DMB Print and Graphic Services, joins "Comp Time" in entertaining 2003 Employee Recognition Event attendees.

## VALUING OUR EMPLOYEES

In addition to celebrating successes throughout the year, every fall, DMB holds a special recognition ceremony to honor employees for their years of service and valuable contributions to keep state government running efficiently.

The 2003 Employee Recognition Event, held at the Department of Military and Veterans Affairs Marshall Street Armory, in Lansing, provided an opportunity to not only pay tribute to 142 employees who had reached five-year milestones

ranging from five to 35 years of service, but also to introduce Governor Jennifer Granholm's "Vision and Values" initiative.

## VISION AND VALUES

Governor Granholm identified several key values that should serve as guideposts for state employees: integrity, excellence and inclusion. State employees added a fourth: teamwork, and DMB added "growth" and "fun." Beginning in August of 2003, and over the course of several months, DMB employees participated in roundtable discussions to share views on



values and commit to a compelling vision of work in state government, clarify personal values and connect them with the organization's values; and determine which actions help them live the values.

### **LIVING THE VALUES**

As DMB Director Mitch Irwin has often said, our employees rightfully place a high value on excellence, integrity and inclusion and demonstrate those principles daily. This is readily apparent in our day-to-day interaction with employees and customers, as well as our major achievements and awards:



*Governor Granholm congratulates Steve Cheal, Vehicle and Travel Services, and other DMB staff on their cost-saving efforts.*

- Earning Outstanding Achievement Award from Engineering Society of Detroit for Hall of Justice, Pyramid Award for Best Project Team for Hall of Justice, and Award of Merit from Michigan Society of Professional Engineers for Hall of Justice;
- Recognizing individual and team efforts in many ways, including letters from Director Irwin to 150 employees whose peers recognized them as “living the values” daily, as well as team recognition events held with Governor Granholm;
- Collecting, compiling and analyzing data from Vision and Values rollout, and engaging employees at all levels of department to effectively address issues identified;
- Creating an individual development plan with each employee, and providing opportunity for training and skill growth; and
- Focusing on communication through use of widely distributed “iDMB” monthly and weekly electronic newsletters.



*DMB Vision and Value Facilitators receive accolades for their encouragement of roundtable discussions.*

*“DMB: Exceptional business services, innovation and partnerships”*

## FY2003 ACCOMPLISHMENTS

A \$1.8 billion budget deficit and several thousand less employees as a result of early retirement, presented a daunting, but not insurmountable challenge for DMB staff. DMB was at the forefront of many cost-cutting initiatives, including implementation of several Executive Directives, and was successful in cutting costs and increasing government efficiency. Specifically, we:

### ***Cut state government contracts by \$102 million by:***

- Increasing number of competitively bid contracts;
- Partnering with state agencies to review 1500+ contracts, cutting unnecessary and costly options and terminating over 50 contracts;
- Freezing spending on unnecessary service contracts and consultants; and
- Partnering with over 500 vendors who offered contractual discounts.

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*“...the state’s regional mail hubs, printing facilities and purchasing consortiums could end up saving local agencies on everything from furniture to road salt...since January the budget department has saved more than \$100 million in reworking contracts, demanding concessions from suppliers and pooling purchasing among state departments.”*

### ***Established Advisory Group to provide input on state contracts and procurement:***

- Accessing best practices from Ford Motor Company, Meijer, Federal Mogul, Mead Paper, Michigan State University, Cooley Law School and City of Rochester; and
- Resulting in recommendations to Governor on re-engineering state contracting and procurement to work better and cost less.

***Booth Newspapers,  
Washington Bureau  
Dec. 1, 2003***

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### ***Kept state contracting process honest, open and transparent by:***

- Developing and implementing new disclosure and conflict of interest requirements for all state vendors;
- Putting all state contracts online; and
- Developing and implementing comprehensive debarment policy.

### ***Saved millions by leveraging state’s purchasing power through:***

- Signing and entering into State of Michigan/Higher Education Consortium Agreement, expecting to save over one million in FY2004 on energy contracts alone for State and Universities; and

### ***Fiscal Year 2003 Statewide Cost Reductions/Savings***

|                         |                |
|-------------------------|----------------|
| Contracts <sup>1</sup>  | \$ 102,000,000 |
| Lease/Rent <sup>2</sup> | \$ 10,264,000  |
| Bond Refinance          | \$ 8,000,000   |
| Mail                    | \$ 4,800,000   |
| P-Card                  | \$ 5,360,000   |
| Fleet Vehicles          | \$ 2,966,000   |
| Security <sup>3</sup>   | \$ 2,700,000   |
| Building Occupancy      | \$ 2,950,000   |
| Cell Phone              | \$ 499,000     |
| Energy Use <sup>4</sup> | \$ 425,000     |
| Color Print             | \$ 245,000     |

<sup>1</sup>Includes cost avoidance and reductions or cancellations for FY03 and FY04

<sup>2</sup>Savings in FY03-FY05

<sup>3</sup>Savings in FY03-FY04

<sup>4</sup>DMB-managed buildings

- Extending over 225 contracts to local units of government through MiDEAL (Michigan Delivering Extended Agreements Locally).

### ***Improved accountability and control in government spending by:***

- Closing unneeded warehouse space and implementing Internet distribution through Michigan Federal Surplus property program, saving \$700,000;
- Redistributing surplus state property to agencies, saving more than \$400,000;

- Efficiently delivering over 6.4 million pieces of interdepartmental mail; and saving \$500,000 through warehouse consolidation and supply chain streamlining for forms and publications;
- Recycling office paper: saving over 55,000 trees; 24 million gallons of water; 10,700 cubic yards of landfill and 14 million Kw of electricity;
- Saving more than \$380,000 in vehicle and travel costs via partnerships with the Michigan State Police, Departments of Information Technology (DIT), Natural Resources (DNR) and Transportation (MDOT);
- Implementing Executive Directives 2003-7 and 2003-9 to assist state in reducing total travel costs by nine percent over FY 2002;
- Implementing a consulting organization, including assigning vehicle and travel consultants to each state department, resulting in customized service and solutions;
- Assisting MDOT in pilot of vehicle-tracking database; could eliminate need for paper travel logs and save significant staff processing and maintenance time;



- Revising criteria for obtaining motor pool vehicles to ensure use of vehicles is in best economic interest of state;
- Consolidating financial and business services provided to programs in DMB and continued Administrative Partnerships with DIT and Civil Service;
- Establishing Real Estate Strategic Planning Work Group to promote work efficiency within state agencies by relocating and consolidating offices pertinent to core functions; and
- Implementing way to reduce pension costs of public schools, community colleges and universities during FY2004 allowing \$140 million to be used for other educational purposes.

***Promoted a cleaner and more sustainable environment by:***

- Evaluating DaimlerChrysler's "GEM" vehicle and analyzing viability for state's fleet;
- Purchasing bio-diesel fuel, cleaner burning and renewable, exclusively for diesel-fueling tank at secondary complex fueling location; teaming with MDOT to purchase 220,000 gallons of bio-diesel fuel;



*DaimlerChrysler offers DMB opportunity to test electric "GEM" vehicle*

- Surpassing U.S. Department of Energy's alternative fuel requirements for most recent reporting period, through use of alternative fuel vehicles and credits for purchasing bio-diesel fuel; and
- Signing memorandum of understanding (MOU) with Greater Lansing Clean Cities Coalition, demonstrating state's support of alternative fuel infrastructure and sustainable energy transportation.

***Increased government efficiency through consolidation and streamlining by:***

- Revising and executing memorandums of understanding with all colleges and universities that lease vehicles from DMB;
- Providing five colleges and universities with retired MSP patrol vehicles for use in police training programs:



- Extending opportunity for state's colleges and universities to use state's contracted travel agency and Airline City Pair contract;
- Participating in Business Opportunity Forums and outreach events. Fifteen Business Opportunity Forums were held throughout Michigan in 2003, with approximately 83 representatives from federal and state agencies, city and county government, colleges and universities, and nearly 1000 businesses. State agency representatives also participated in seven additional outreach events that were attended by more than 1,200 Michigan businesses;
- Signing an MOU with DIT for financial, human resource, and internal audit services; and Treasury for Internal Audit services, including the transfer of four staff from Treasury; and
- Partnering with Civil Service to implement the Human Resource (HR) Optimization Project, an effort to share services among human resource offices, estimated to save \$20 million over five years.

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*"This year, Michigan began selling off surplus properties, working from a list of its top 10 most valuable assets, which...will generate at least \$100 million in total to state coffers."*

**Wall Street Journal  
Nov. 19, 2003**

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***Improved process for disposing of surplus land/buildings by:***

- Implementing Web-based Invitation to Bid process for state surplus property.

***Aided in improving homeland security and emergency response by:***

- Providing leadership and staffing during power outage, including: evacuating tenants from elevators and handicapped persons from buildings; procuring fuel and other emergency supplies; securing buildings and structures; performing security and fire watch duties, loaning and delivering DMB-owned portable generators to southeast Michigan municipalities dealing with mechanical and life safety system malfunctions created by power outage; delivering water to hospitals and local units of government; and printing and delivering payroll checks with no interruption in service;
- Using \$200,000 appropriation from State Homeland Security Grant Program to complete security assessment strategy and presenting to MSP for use in determining grant funding for 2004;
- Creating emergency exit for evacuation north of the Crowner Road Bridge if needed due to catastrophe; and
- Plotting all state-owned and leased facilities using GIS technology.

### **Improved financial services:**

- Strengthening Financial Services ‘management through teams’ resulting in improved accelerated year-end closing process; improved communication by publication of electronic newsletter *The Low Down*; exceeding expectations for customer satisfaction by receiving 95 percent satisfaction rating; and
- Implementing Web reporting of wage and service information, offering current information about service credit and wages collected during payroll processing; approximately 25 percent of employers participate in program with 100 percent on schedule to use by April 2004.

## **STRATEGY FOR THE FUTURE**

DMB’s strategy for the future is to be nimble and business-oriented. We will continue to use the insight we gain as state government’s service center to explore areas where there is potential for streamlining and greater efficiency, as well as cost-cutting while maintaining first-rate customer service.

In 2004, we will specifically focus upon the following areas:

### **Financial**

- State Cost-Cutting and Creative Efficiencies
- Revenue Enhancement
- Procurement Savings and Best Practices
- Leveraging Resources Via Partnering and Consortiums
- Developing Innovative Financial Strategies

### **Process**

- Real Estate Optimization
- Vision ORS Implementation
- Capital Outlay Planning and Management
- Homeland Security – Continuity Planning
- Administrative Partnerships/Shared Services
- Travel and Teleconferencing

### **Learning and Growth**

- Leadership Development
- Live the Values, Connect the Vision
- Grow a “Cool Workplace”

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*“...a business-like approach to cost-cutting will save the state about \$150 million in the next fiscal year in contracting and purchasing... the savings are critical to balancing a budget that continues to be buffeted by declining tax revenue.”*

**Booth Newspapers**  
**Aug. 28, 2003**

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